

STIRLING COUNCIL

**MINUTES of MEETING of the AUDIT COMMITTEE held in the COUNCIL CHAMBERS,
OLD VIEWFORTH, STIRLING on THURSDAY 30 AUGUST 2018 at 10.00 am**

Present

Councillor Neil BENNY (Convener)

Councillor Martin EARL
Councillor Graham LAMBIE

Councillor Ross OXBURGH
Councillor Alasdair TOLLEMACHE

In Attendance

Moira Bilsbrough, Senior Internal Auditor (Governance)
Jim Boyle, Chief Officer - Finance
David Bright, Resilience & Risk Team Leader (Environment & Place)
Caroline Cherry, Service Manager, Adult Assessment & Partnership (Children & Families)
David Crighton, Land Services Manager (Environment & Place)
Lorraine Don, Project Manager (Environment & Place)
Graeme Donohoe, Senior Media Officer (Strategic, Commissioning & Customer Development)
Anne Ferguson, Senior Manager – Economic Development, Culture & Tourism
Carol Herity, Customer Services & Relationships Manager (Strategic, Commissioning & Customer Development)
Kristine Johnson, Chief Officer – HR
Kevin Kelman, Senior Manager – Schools & Learning (CEdO)
Tony Mason, Lead Solicitor – Projects & Commercial (Governance)
Kevin McCormack, Waste Services Interim Team Leader (Environment & Place)
Isabel McKnight, Chief Officer - Strategic, Commissioning & Customer Development
George Murphy, Accounting Operations Manager (Finance)
Ewan Murray, Chief Finance Officer (Integration Joint Board)
Kevin O'Kane, Audit Manager (Governance)
Heather Robb, Technology & Information Manager (Strategic, Commissioning & Customer Development)
Jim Robb, Service Manager – Learning Disability & Mental Health
Brian Roberts, Senior Manager - Infrastructure
Iain Strachan, Chief Officer – Governance
Shiona Strachan, Chief Officer (Integration Joint Board)
Marie Valente, Senior Manager – Children & Families (CSWO)
Sheila McLean, Governance Officer (Governance) (Clerk)
Karen Swan, Committee Officer (Governance) (Minutes)

Also Present

Paul Craig, Audit Scotland, External Auditor
Blyth Deans, Audit Scotland, External Auditor
David McConnell, Audit Scotland, External Auditor

Agenda

The Convener intimated his intention to alter the order of the Agenda. The items were taken in the order minuted below.

AC71 APOLOGIES AND SUBSTITUTIONS

Apologies were submitted on behalf of Councillor Alison Laurie.

AC72 DECLARATIONS OF INTEREST

There were no declarations of interest.

AC73 URGENT BUSINESS BROUGHT FORWARD BY THE CONVENER

There were no items of urgent business.

AC74 MINUTES – AUDIT COMMITTEE – 24 MAY 2018

Decision

The Audit Committee agreed to approve the Minutes of Meeting held on 24 May 2018 as an accurate record of proceedings.

AC75 ROLLING ACTION LOG

The Rolling Action Log was submitted for review.

Decision

The Audit Committee agreed to note the Rolling Action Log.

AC76 INTERNAL AUDIT PROGRESS REPORT

The report presented Audit Committee with an update on progress made against the approved Internal Audit Risk Assessment & Plan 2018-19, including work brought forward from 2017-18 for completion, and detailed Internal Audit reports issued since the previous meeting of the Committee on 24 May 2018.

Four Internal Audit Summary reports and, in conjunction with Scott Moncrieff, an ICT report on IT Disasters Recovery Planning arrangements were attached at Appendix 2 to the submitted report.

The Audit Plan Position Statement was attached at Appendix 3.

(a) Self-Directed Support

The scope of the review in respect of self-directed support, focused on compliance with statutory regulations and arrangements in respect of management responsibilities.

Eight High, three medium and one low risk were identified.

The Audit Opinion was that a limited assurance could be given that arrangements in place within the Council for self-directed support (SDS) were operating efficiently, in line and the Council's procedures which were based on national guidelines.

In response to a Members' question, the Senior Manager Strategic, Commissioning & Customer Development confirmed that direct payment review would be included within the scope of the re-established Self-Directed Support Group.

Committee noted that concerns for Self-Directed Support were a national issue that would need to be reviewed collectively to ensure that all appropriate parties were working together.

The Convener and Vice Convener requested that a briefing paper on Self-Directed support be sent to All Elected Members and the Chair of Adult Social Care Panel be made aware of the Self-Directed Support Improvement Plan.

(b) Catering (Schools)

The scope of the review focused on stock, cash and payment controls within schools.

Five medium and one low risk were identified.

The Audit Opinion was that substantial assurance could be given that the Council's arrangements in place for schools catering were appropriate and were operating effectively.

(c) Internal Financial Controls - Payroll and Travel & Subsistence

The scope of the review was to identify and agreed with system owners a range of key financial controls for each system, which would be subject to continuous audit review and testing, to carry out relevant audit tests and apply sampling procedures, where necessary, to provide evidence of the existence and effectiveness of the key financial controls and to provide audit reports to the Corporate Management Team and the Audit Committee that contained an independent audit assurance opinion on the processes and key financial controls reviewed.

Two High, two medium and one low risks were identified.

The Audit Opinion was that substantial assurance could be given that controls were in place around the Payroll and Travel & Subsistence processes were appropriate and were being properly applied.

(d) Action Tracking Verification

The scope of the review was to verify work in respect of 20 of the 55 actions that Services had declared as being completed in the period April 2017 to March 2018. The actions covered 17 audit reports across the Council and 12 High, 5 Medium and 3 Low priority actions were tested.

The Audit Opinion was that substantial assurance could be given that Services were accurately reporting the completion of audit actions and it was considered that current arrangements for follow-up of audit reports remained effective.

(e) ICT Disaster Recovery

The audit was performed by Scott-Moncrieff LLP, who provided a specialist ICT audit function to the Council's Audit service under contract. The review considered the processes in place over the development, implementation, support and testing of the Council's ICT Disaster Recovery Plan.

Three medium and one low risk were identified.

The Audit Opinion was that substantial assurance could be given that there were effective controls in place in relation to ICT Disaster Receiver Planning.

Decision

The Audit Committee agreed:

1. to note the findings, risks, recommendations and statements of assurance set out in the Internal Audit reports at Appendix 2 to the submitted report; and
2. to note progress made on the approved Internal Audit Risk Assessment & Plan 2018-19, as set out in the Position Statement at Appendix 3 to the submitted report.

(Reference: Report by Chief Officer – Governance dated 22 August 2018, submitted)

AC77 RISK MANAGEMENT

The submitted report detailed the Strategic Risk Register that enabled Committee to examine the Significant Risks facing the Council and the Risk Treatments put in place to reduce the risks.

The Strategic Risk Register contained 19 risks - 15 under treatment and 4 managed/monitored.

In response to a Members' question, the Senior Manager – Economic Development, Culture & Tourism confirmed that Members of the Committee would be updated on the last meeting date and next scheduled meeting date of the Tackling Poverty and Inequality Group.

The Committee also noted that the Health & Safety Panel would be included in future Strategic Risk Register - Update Internal controls (SR07).

Following Members discussion, the Chief Officer Integration Joint Board confirmed that a Members' briefing/paper on the Integration Joint Board along with future budget challenges would be sent to All Elected Members.

Decision

The Audit Committee agreed:

1. to note the risks within the Strategic Risk Register with specific attention to treatment actions and target dates; and
2. to note the strategic risks highlighted in paragraph 2.1 and the Service Risk Register Status update in paragraph 2.3 within the submitted report and Appendix 2 to the submitted report.

(Reference: Report by Senior Manager – Environment & Place dated 22 August 2018 submitted)

AC78 LOCAL GOVERNMENT BENCHMARK FRAMEWORK (2016/17)

The report provided a summary of the finalised 2016-17 Local Government Benchmarking Framework (LGBF) data set published on 4 July 2018 by the Improvement Service. It highlighted where Stirling Council were performing well and those areas where there was room for improvement.

The Local Government Benchmarking Project was an initiative of the Society of Local Authority Chief Executives (SOLACE), which was being taken forward by the Improvement Service with the endorsement of the Accounts Commission.

The framework had established around 80 indicators that were measures in a consistent way for all local authorities across Scotland, allowing comparisons of performance to be made. The indicators covered a range of service areas with an emphasis on costs, outcomes for services users and customer satisfaction.

Decision

The Audit Committee agreed:

1. to note the summary of the 2016-17 Local Government Benchmarking Framework (LGBF) data for Stirling Council in Appendix 2 to the submitted report, which showed the indicators performing well as being in the top quartile (Ranks 1-8) and those that have room for improvement as being in the bottom quartile (Ranks 25-31); and
2. to note the summary of the 2016/17 Local Government Benchmarking Framework (LGBF) data for Stirling Council in Appendix 2 to the submitted report that showed trend information for all LGBF indicators and supporting narrative provided by Service areas.

(Reference: Report by Senior Manager – Environment & Place dated 22 August 2018 submitted)

AC79 EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT SERVICE

The Audit Committee were presented with information on the recent independent external quality assessment and report on the Council's Internal Audit arrangements, undertaken by the Chief Internal Auditor of Aberdeenshire Council, which enabled the Council to demonstrate compliance with the Public Sector Internal Audit Standards.

The report was attached for the Committee's consideration and scrutiny, reflecting its remits under the Scheme of Delegation to approve (but not direct) internal audit's strategy and plan, to monitor performance, and to review internal audit reports and the main issues arising, seeking assurance that action had been taken, where necessary.

The report also sought the Committee's approval, in principle, to the Council continuing to participate in a broadly reciprocal arrangement with other local authorities for the delivery of external quality assessment within a framework developed and overseen by the Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG).

The Convener praised and congratulated the Audit team for all their hard work.

Decision

The Audit Committee agreed:

1. to note the findings and agreed actions set out in the report attached at Appendix 1 to the submitted report;
2. to note the evidenced, high level of conformance of the Internal Audit arrangements with the requirements of the Public Sector Internal Audit Standards; and
3. to approve, in principle, the continued participation of the Council's Internal Audit team in a reciprocal, peer review arrangement for the delivery of external quality assessment of internal audit under a framework developed and overseen by the Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG).

(Reference: Report by Chief Officer – Governance dated 22 August 2018) submitted)

AC80 ACCOUNTS COMMISSION REPORT: COUNCILS' USE OF ARM'S-LENGTH ORGANISATIONS

The Audit Committee were provided with information on the Accounts Commission's national report: 'Councils' Use of Arm's-Length Organisations' (ALEOs), which was prepared by Audit Scotland and published on 17 May 2018.

Council services could be delivered in a variety of ways and, in Scotland, the term arm's length external organisations or ALEO, was used where a separate body with its own legal identity was set up by a council to deliver services. Services may also be delivered through community planning partnerships, integrated health and social care boards, valuation joint boards, and regional transport partnerships. Unlike those statutory arrangements, ALEO's could be created at the discretion of the council, within the boundaries set by local government legislation.

In response to a Members' question, the Chief Officer – Governance confirmed that contact would be established with certain Scottish Local Authorities asking the reason why they do not use Arm's-Length Organisations'.

The meeting noted that a report on the scrutiny of Stirling Council's ALEO's would be brought to a future meeting of the Audit Committee.

Decision

The Audit Committee agreed:

1. to note the Accounts Commission's national report: 'Councils' Use of Arm's-Length Organisations', attached at Appendix 1 to the submitted report, including the key messages and recommendations summarised at paragraphs 2.1 to 2.3 within the submitted report;
2. to note that the report was submitted for information and consideration to the meeting of the Corporate Management Team on 19 June 2018; and
3. to note the specific references made in the report to the Council and its management and use of Arm's-Length Organisations', as summarised at paragraph 2.5 within the submitted report.

(Reference: Report by Chief Officer – Governance dated 22 August 2018) submitted)

AC81 STIRLING COUNCIL AUDITED ACCOUNTS 2017/18

The report outlined the key features of the financial position displayed in the 2017/18 audited accounts, incorporating a brief overview of the General Fund and HRA revenue and capital outturn positions.

The local Authority Accounts (Scotland) Regulations 2014 required either the council or a committee of the council charged with audit or governance to approve the audited Accounts for signature by the recommended deadline of 30 September 2018.

The Council's External Auditors, Audit Scotland, had certified Stirling Council's Accounts for the year to 31 March 2018.

The Chief Officer – Finance confirmed to the Committee that the Stirling Council Audited Accounts 2017/18 would also be submitted to a meeting of Stirling Council.

The Convener thanked the Chief Officer – Finance and his team for all the hard work in the completion of the Council accounts.

Decision

The Audit Committee agreed:

1. to note the Auditor's Final Report on the Accounts which was the subject of a separate report on the Audit Committee agenda; and
2. to approve for signature the audited Stirling Council Accounts for the year ended 31 March 2018.

(Reference: Report by Chief Officer – Finance dated 22 August 2018) submitted)

AC82 COMMON GOOD FUNDS & CHARITABLE TRUSTS AUDITED ACCOUNTS

The Audit Committee were asked to consider the Auditor's Final Report on the Common Good Funds and Charitable Trusts Accounts which were the subject of a separate report on the Audit Committee agenda, and to approve for signature the audited Common Good Funds and Charitable Trusts Accounts for the year ended 31 March 2018.

The Local Authority Accounts (Scotland) Regulations 2014 required with the Council or a committee of the Council charged with audit or governance to approve the audited Accounts for signature by the recommended deadline of 30 September 2018.

The Council's External Auditors, Audit Scotland, had certified the Accounts for the year to 31 March 2018 of the Stirling, Bridge of Allan, Callander and Dunblane Common Good Funds, the Dunblane Cemetery Memorial Garden (Maintenance) Trust, and a further 10 small Charitable Trust.

Decision

The Audit Committee agreed:

1. to note the Auditor's Final Report on the Common Good Funds and Charitable Trusts Accounts which was the subject of a separate report on the Audit Committee agenda; and;
2. to approve for signature the audited Common Good Funds and Charitable Trusts Accounts for the year ended 31 March 2018.

(Reference: Report by Chief Officer - Finance dated 22 August 2018, submitted)

In terms of Standing Order 42, the Convener adjourned the meeting at 12.00pm for a comfort break.

*The Meeting reconvened at 12.10pm.
Elected Members (previously noted) with the exception of Councillor Tollemache, who left at the comfort break, were present.*

AC83 CHARITABLE TRUSTS ADMINISTERED BY STIRLING COUNCIL – REPORT TO THOSE CHARGED WITH GOVERNANCE ON THE 2017/18 AUDIT

The External Auditors presented the report on the Charitable Trusts Administered by Stirling Council - Report to those charged with Governance on the 2017/18 Audit.

The report explained that an audit was required for all registered charities where the local authority was the sole trustee, irrespective of the size of the charity. It was due to the interaction of section 106 of the Local Government (Scotland) Act 1973 with the Charities Accounts (Scotland) Regulations 2006. The auditor of Stirling Council, Audit Scotland, had been appointed as the auditor of the relevant trusts.

International Standard on Auditing (UK and Ireland) 260 (ISA 260) required auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.

The Committee thanked the Chief Officer – Finance and his team for all the hard work involved.

Decision

The Audit Committee agreed:

1. to note the content of the ISA 260 report; and
2. to approve the content of the ISA 580 Letter of Representation.

(Reference: Report by Chief Officer - Finance dated 22 August 2018, submitted)

AC84 ANNUAL REPORT TO THOSE CHARGED WITH GOVERNANCE AND THE CONTROLLER OF AUDIT FOR FINANCIAL YEAR ENDED 31 MARCH 2018

David McConnell, Audit Scotland reported that International Standard on Auditing (UK and Ireland) 260 (ISA 260) required auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.

Appendix 1 to the report contained a covering letter from the Auditor, together with the proposed Independent Auditor's report which provided an unqualified opinion on the Accounts.

The Council was required to provide an ISA 580 Letter of Representation to the Auditor as part of the audit procedures prior to the signing of the financial statements. A draft letter of approval had been presented at Appendix B of the covering letter and would be signed by the Council's Chief Finance Officer as S95 officer.

Appendix 2 to the report contained the proposed 2017/18 Annual Audit Report, which identified significant findings from the financial statement audit. Exhibit 3 (pages 9-11) sets out the significant issues identified. Appendix 1 (pages 35-38) outlined recommendations for improvement, together with a follow up on prior year recommendations. The report would be issued in final form after the financial statements had been certified.

Following discussion on the significant findings in the Auditors' report, the Committee agreed it would be beneficial for an update report on the status of the significant findings to be submitted to Audit Committee in January 2019.

Audit Scotland passed on thanks to Chief Officer - Finance, Jim Boyle and his team.

Decision

The Audit Committee agreed:

1. to note the content of the Independent Auditor's Report;
2. to approve the content of the ISA 580 Letter of Representation;
3. to note the significant audit findings within Exhibit 3 (pages 9-11) of the proposed Annual Audit Report;

4. to note the recommendations for improvement and the follow up on prior year recommendations within Appendix 1 (pages 35-38) of the proposed Annual Audit Report; and
5. to submit an update report on the status of the significant findings (detailed in Annual Audit report) to Audit Committee in January 2019.

(Reference: Report by Chief Officer - Finance dated 22 August 2018 submitted)

AC85 COMPLAINTS, ELECTED MEMBERS AND MP/MSP ENQUIRIES

The report provided an update on volumes received and performance of Complaints, Elected Member, and MP/MSP enquiries.

Stirling Council's complaints handling procedure reflected the authorities' commitment to valuing complaints and seeks to resolve customer dissatisfaction as close to the point of service delivery as possible. The procedure allowed the Council to conduct thorough, impartial and fair investigations of customer complaints so that, where appropriate, sound decisions on the facts of the case could be made.

The co-ordination of complaints, Elected Member and MP/MSP enquiries was centralised in May 2018. Training and support was being delivered to all Service areas in order to improve complaint handling and investigation. The centralised process, with an integrated approach had resulted in improved performance.

In response to Member's enquiries, the Customer Services & Relationships Manager agreed to send the Annual Complaints report for 2017/2018 to all Elected Members and a breakdown of to each individual member of their enquiries.

Decision

The Audit Committee agreed:

1. to note the Annual Complaints Report for 2017/2018;
2. to note volumes and performance for Quarter 1 2018/2019; and
3. to note next reporting will be presented to the Audit Committee in November 2019.

(Reference: Report by Chief Officer – Strategic, Commissioning & Customer Development dated 10 August 2018 submitted)

AC86 CYBER SECURITY

The report updated the Audit Committee on the ongoing work in relation to Cyber Resilience.

In 2015, The National Security Risk Assessment identified four Tier 1 threats to UK national security. One of these was "hostile attacks upon UK cyber space by other states and large scale cyber crime".

In response to the threat, the UK Government set up the National Cyber Security Centre (NCSC) which became operational in October 2016. The agency brought together and replaced the Communications Electronic Group (CESG) (the information security arm of Government Communication Headquarters (GCHQ), the Centre for

Cyber Assessment (CCA), Computer Emergency Response Team UK (CERT UK) and the cyber-related responsibilities of the Centre for the Protection of National Infrastructure (CPNI).

In May 2017 Cyber Security, particularly within the UK Public Sector, became a topic of National interest following the WannaCry Ransomware attack which particularly affected the NHS.

In response to this, to help create a standard level of security across the Public Sector in Scotland and to improve the trust of our citizens in data held by public bodies, the NCSC and the Scottish Government (SG) published 'A cyber Resilience Strategy for Scotland – Public Sector Action Plan' for public sector organisations to follow to improve their Cyber Resilience.

Stirling Council had recognised the need for Improved Cyber Resilience and we had taken steps to improve the security of our information assets as well as ensuring compliance with the Public Sector Action Plan.

The Convener noted that the report gave a lot of assurances on the actions the Council were taking to ensure internal cyber security. The Committee agreed that it would be helpful to receive annual updates to the Audit Committee on cyber security, noting any issue of importance be presented to the next scheduled Audit Committee.

Decision

The Audit Committee agreed:

1. to note the Cyber Security Strategy;
2. to note the ongoing work to improve Cyber Resilience;
3. to note the progress made on the Scottish Government's Cyber Security Action Plan; and
4. to receive on a yearly basis an update report on Cyber Security.

(Reference: Report by Chief Officer Strategic, Commissioning & Customer Development dated 26 July 2018 submitted)

AC87 REGULATION OF INVESTIGATORY POWERS (SCOTLAND) ACT 2000 – ANNUAL REPORT 2017/18

The report updated Committee on the operation of the Regulation of Investigatory Powers (Scotland) Act 2000 within Stirling Council during the period from 1 April 2017 to 31 March 2018 (a) reported on the number of requests for authorisation of directed surveillance and the use of covert human intelligence sources; and (b) provided an update on the steps taken to implement the Recommendations of the Action Plan approved by Audit Committee on 26 May 2016 (AC218).

As part of the Council's oversight of the management of the use of both directed surveillance and covert human intelligence sources Stirling Council agreed at a meeting on 11 September 2008 that an annual report on the use of these powers should be brought before Governance and Audit Committee (predecessor to Audit Committee).

Following a Members question, the Chief Officer – Governance clarified that there was a training programme for services that made them aware of the Regulation of Investigatory Powers (Scotland) Act 2000.

In response to a Members' enquiry, the Lead Solicitor confirmed a copy of the register detailing Tier 1 and Tier 2 officers would be circulated to Councillor Oxburgh.

The Committee agreed that a yearly update report on Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA) would be submitted to the Audit Committee.

Decision

The Audit Committee agreed:

1. to note that there were no authorisations for directed surveillance granted during the period from 1 April 2017 to 31 March 2018;
2. to note that there were no active covert human intelligence sources as at 31 March 2018, none having been recruited or used during the period from 1 April 2017 to 31 March 2018;
3. to note that no breaches of the Council's revised Regulation of Investigatory Powers (Scotland) Act Policy, approved by Audit Committee at its meeting on 26 May 2016, had been identified during the period from 1 April 2017 to 31 March 2018; and
4. to note the continued actions taken to comply with the Regulation Of Investigatory Powers (Scotland) Act 2000 and in particular to implement the Recommendations detailed in the Action Plan approved by Audit Committee on 26 May 2016 (AC218).

(Reference: Report by Chief Officer - Governance dated 8 August 2018 submitted)

The Convener declared the Meeting closed at 1.00pm.